Joe Morolong Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of1996)
Nature of business and principal activities	The provision of services to the community in a sustainable manner.
Mayoral committee	
Executive Mayor	Councillor Leutlwetse D.D
Councillors	Councillor Jordan V. (Speaker)
	Councillor Tagane G.C.
	Councillor Tswere K.N
	Councillor Matebese I.
	Councillor Gomolemo O.N.
	Councillor Kaotsane G.G.
	Councillor Manankong L.P.
	Councillor Choche S.P.
	Councillor Gaobuse T.I.
	Councillor Manzana A.S.
	Councillor Kolberg O.J.
	Councillor Lebatlang K.D.
	Councillor Gaoorwe D.E.
	Councillor Filipo M.P.
	Councillor Majoro K.L.
	Councillor Kgositau G.G.
	Councillor Etshetshang O.A.
	Councillor Magano T.
	Councillor Kehologile E.K.
	Councillor Tikane J.T.
	Councillor Maamogwa K.E.
	Councillor Machogo L.
	Councillor Kgosierileng N.D.
	Councillor Kopeledi D.L.
	Councillor Mosegedi T.G.
	Councillor Gaetsewe M.J.
	Councillor Mbolekwa B.M.
	Councillor Mosimanyana G.V.
Grading of local authority	3
Chief Finance Officer (CFO)	Mrs B.D. Motlhaping
Registered office	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474
Business address	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474

General Information

Postal address	Private Bag X117 Mothibistad Kuruman 8474
Bankers	Standard Bank ABSA Bank
Auditors	Auditor General of South Africa
Attorneys	Peyper Attorneys Morwaagae Attorneys Kgomo Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations used:

ABSA	Amalgamated Banks of Southern Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
PAYE	Pay As You Earn
SALGBC	South African Bargaining Council
SARS	South African Revenue Services
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, he has set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality’s cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality is partially dependent on the government for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the Accounting Officer are primarily responsible for the financial affairs of the Municipality, they are supported by the Municipality's external auditors.

The Annual Financial Statements set out on page 8-62 7, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
T Gopetse (Acting Accounting Officer)

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 2 number of meetings were held.

Name of member	Number of meetings attended
Mr R Tshimomola (Chairperson) contract ended December 2022	2
Mr F Buys (contract ended December 2022)	2
Mr M Mashati (contract ended December 2022)	2
Johan Snyders (Chairperson)	2
Neo Ntseno	2
Khotso Nkoe	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA and treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General ;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Audit Committee Report

Date: ______________________________

's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality operates principally in South Africa.

The operating results and state of affairs of the Municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 96 279 284 (2022: surplus R 84 970 689).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on government grants and subsidies.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Bankers

Standard Bank

ABSA

Nedbank

5. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Accounting Officer
T Gopetse (Acting Accounting Officer)

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	5 997 310	3 099 006
Receivables from exchange transactions	4&36	75 876 680	21 548 713
Receivables from non-exchange transactions	5&36	81 664 002	44 234 561
VAT receivable	6	39 834 418	42 810 523
Prepayments	7	3 501 907	1 115 108
Cash and cash equivalents	8	34 955 980	56 816 282
		241 830 297	**169 624 193**
Non-Current Assets			
Property, plant and equipment	9	1 395 667 456	1 372 270 681
Intangible assets	10	1 069 535	1 089 522
		1 396 736 991	**1 373 360 203**
Total Assets		**1 638 567 288**	**1 542 984 396**
Liabilities			
Current Liabilities			
Other financial liabilities	11	129 193	129 193
Payables from exchange transactions	12	54 744 605	61 730 092
Consumer deposits	13	36 500	25 378
Employee benefit obligation	14	692 000	322 000
Unspent conditional grants and receipts	15	1 249 209	2 072 002
		56 851 507	**64 278 665**
Non-Current Liabilities			
Other financial liabilities	11	644 720	644 720
Employee benefit obligation	14	3 558 000	3 023 000
Provisions	16	8 213 456	7 826 451
		12 416 176	**11 494 171**
Total Liabilities		**69 267 683**	**75 772 836**
Net Assets		**1 569 299 605**	**1 467 211 560**
Accumulated surplus		1 569 005 801	1 467 211 560
Total Net Assets		**1 569 005 801**	**1 467 211 560**

* See Note 2 & 45 & 44

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	49 084 520	24 418 252
Rental of facilities and equipment	19	80 669	109 325
Interest - Exchange Transactions	20	8 253 598	6 947 548
Other income	21	326 595	743 148
Interest Received	22	7 594 650	4 161 674
Total revenue from exchange transactions		**65 340 032**	**36 379 947**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	34 023 621	31 810 126
Interest - Non Exchange Transactions	20	6 793 531	3 422 918
Transfer revenue			
Government grants & subsidies	24	301 402 358	308 114 690
Public contributions and donations	25	1 514 524	35 848 785
Fines, Penalties and Forfeits	26	-	95
Total revenue from non-exchange transactions		**343 734 034**	**379 196 614**
Total revenue	17	**409 074 066**	**415 576 561**
Expenditure			
Employee related costs	27	(88 710 411)	(71 279 008)
Remuneration of councillors	28	(13 635 735)	(11 955 260)
Depreciation and amortisation	29	(93 099 453)	(121 797 480)
Reversal of impairments	30	-	(8 694 381)
Finance costs	31	(1 112 242)	(507 559)
Lease rentals on operating lease	55	(119 752)	-
Debt Impairment	32	-	4 272 004
Bulk purchases	33	(16 303 862)	(16 095 370)
Transfers and Subsidies	34	(5 070 875)	(16 790 349)
Loss on disposal of assets		-	(10 060 076)
Actuarial losses	14	(169 000)	(405 110)
General Expenses	35	(94 573 452)	(77 293 283)
Total expenditure		**(312 794 782)**	**(330 605 872)**
Surplus for the year		**96 279 284**	**84 970 689**

* See Note 2 & 45 & 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	**1 382 240 871**	**1 382 240 871**
Changes in net assets		
Surplus for the year	84 970 689	84 970 689
Total changes	84 970 689	84 970 689
Restated* Balance at 01 July 2022	**1 472 444 543**	**1 472 444 543**
Changes in net assets		
Surplus for the year	96 279 284	96 279 284
Correction of errors	281 974	281 974
Total changes	96 561 258	96 561 258
Balance at 30 June 2023	**1 569 005 801**	**1 569 005 801**

Note(s)

* See Note 2 & 45 & 44

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		12 879 182	37 901 415
Grants		206 871 067	308 068 262
Interest income		-	-
		219 750 249	345 969 677
Payments			
Employee costs		(63 900 695)	(83 234 267)
Suppliers		(61 478 433)	(75 021 774)
Interests costs		-	-
		(125 379 128)	(158 256 041)
Undefined difference compared to the cash generated from operations note		**(5 563 941)**	**-**
Net cash flows from operating activities	38	**88 807 180**	**187 713 636**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(304 517 382)	(119 438 456)
Purchase of other intangible assets	10	(171 050)	(938 263)
Proceeds from sale of other intangible assets	10	-	(1)
Net cash flows from investing activities		**(304 688 432)**	**(120 376 720)**
Cash flows from financing activities			
Repayment of other financial liabilities		-	(118 544)
Finance lease payments		(103 586 191)	-
Net cash flows from financing activities		**(103 586 191)**	**(118 544)**
Net increase/(decrease) in cash and cash equivalents		**(319 467 443)**	**67 218 372**
Cash and cash equivalents at the beginning of the year		56 816 282	46 108 323
Cash and cash equivalents at the end of the year	8	**(262 651 161)**	**113 326 695**

The accounting policies on pages 15 to 46 and the notes on pages 47 to 77 form an integral part of the annual financial statements.

* See Note 2 & 45 & 44

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	44 796 500	(8 222 476)	**36 574 024**	49 084 520	**12 510 496**	
Rental of facilities and equipment	40 000	-	**40 000**	80 669	**40 669**	
Interest received (trading)	15 875 745	-	**15 875 745**	8 253 598	**(7 622 147)**	
Licences and permits	125 000	-	**125 000**	-	**(125 000)**	
Other income	16 419 750	(3 934 688)	**12 485 062**	326 595	**(12 158 467)**	
Interest received - investment	5 300 000	2 288 029	**7 588 029**	7 594 650	**6 621**	
Total revenue from exchange transactions	**82 556 995**	**(9 869 135)**	**72 687 860**	**65 340 032**	**(7 347 828)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17 062 900	8 575 976	**25 638 876**	34 023 621	**8 384 745**	
Interest - Non Exchange Transactions	-	-	**-**	6 793 531	**6 793 531**	
Transfer revenue						
Government grants & subsidies	286 354 360	-	**286 354 360**	301 402 358	**15 047 998**	
Public contributions and donations	-	-	**-**	1 514 524	**1 514 524**	
Total revenue from non-exchange transactions	**303 417 260**	**8 575 976**	**311 993 236**	**343 734 034**	**31 740 798**	
Total revenue	**385 974 255**	**(1 293 159)**	**384 681 096**	**409 074 066**	**24 392 970**	
Expenditure						
Personnel	(100 884 946)	10 783 635	**(90 101 311)**	(88 710 411)	**1 390 900**	
Remuneration of councillors	(13 896 100)	846 265	**(13 049 835)**	(13 635 735)	**(585 900)**	
Depreciation and amortisation	(19 420 300)	(99 392 822)	**(118 813 122)**	(93 099 453)	**25 713 669**	
Finance costs	(221 000)	(330 000)	**(551 000)**	(1 112 242)	**(561 242)**	
Lease rentals on operating lease	-	-	**-**	(119 752)	**(119 752)**	
Bulk purchases	(21 740 800)	(930 356)	**(22 671 156)**	(16 303 862)	**6 367 294**	
Transfers and Subsidies	(500 000)	(150 000)	**(650 000)**	(5 070 875)	**(4 420 875)**	
General Expenses	(115 848 650)	(7 905 216)	**(123 753 866)**	(94 573 452)	**29 180 414**	
Total expenditure	**(272 511 796)**	**(97 078 494)**	**(369 590 290)**	**(312 625 782)**	**56 964 508**	
Operating surplus	**113 462 459**	**(98 371 653)**	**15 090 806**	**96 448 284**	**81 357 478**	
Actuarial gains/losses	-	-	**-**	(169 000)	**(169 000)**	
Surplus before taxation	**113 462 459**	**(98 371 653)**	**15 090 806**	**96 279 284**	**81 188 478**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**113 462 459**	**(98 371 653)**	**15 090 806**	**96 279 284**	**81 188 478**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8 591 337	7 051 026	**15 642 363**	5 997 310	**(9 645 053)**	
Receivables from exchange transactions	52 633 739	4 373 449	**57 007 188**	75 876 680	**18 869 492**	
Receivables from non-exchange transactions	22 825 256	(937 809)	**21 887 447**	81 664 002	**59 776 555**	
VAT receivable	-	-	**-**	39 834 418	**39 834 418**	
Prepayments	-	-	**-**	3 501 907	**3 501 907**	
Cash and cash equivalents	8 747 831	37 791 875	**46 539 706**	34 955 980	**(11 583 726)**	
	92 798 163	**48 278 541**	**141 076 704**	**241 830 297**	**100 753 593**	
Non-Current Assets						
Property, plant and equipment	1 452 423 711	(7 182 823)	**1 445 240 888**	1 395 667 456	**(49 573 432)**	
Intangible assets	5 291 573	1 032 699	**6 324 272**	1 069 535	**(5 254 737)**	
	1 457 715 284	**(6 150 124)**	**1 451 565 160**	**1 396 736 991**	**(54 828 169)**	
Total Assets	**1 550 513 447**	**42 128 417**	**1 592 641 864**	**1 638 567 288**	**45 925 424**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	129 193	**129 193**	
Payables from exchange transactions	18 597 670	80 519 410	**99 117 080**	54 744 605	**(44 372 475)**	
Consumer deposits	23 877	4 001	**27 878**	36 500	**8 622**	
Employee benefit obligation	-	-	**-**	692 000	**692 000**	
Unspent conditional grants and receipts	-	-	**-**	1 249 209	**1 249 209**	
Provisions	243 143	137 593	**380 736**	-	**(380 736)**	
	18 864 690	**80 661 004**	**99 525 694**	**56 851 507**	**(42 674 187)**	
Non-Current Liabilities						
Other financial liabilities	502 474	(25 670)	**476 804**	644 720	**167 916**	
Employee benefit obligation	-	-	**-**	3 558 000	**3 558 000**	
Provisions	4 705 277	911 191	**5 616 468**	8 213 456	**2 596 988**	
	5 207 751	**885 521**	**6 093 272**	**12 416 176**	**6 322 904**	
Total Liabilities	**24 072 441**	**81 546 525**	**105 618 966**	**69 267 683**	**(36 351 283)**	
Net Assets	**1 526 441 006**	**(39 418 108)**	**1 487 022 898**	**1 569 299 605**	**82 276 707**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 526 441 006	(39 418 108)	**1 487 022 898**	1 654 403 890	**167 380 992**	
Undefined Difference	**-**	**-**	**-**	**(85 104 285)**	**(85 104 285)**	
Total Net Assets	**1 526 441 006**	**(39 418 108)**	**1 487 022 898**	**1 654 403 890**	**167 380 992**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	50 102 100	(3 083 427)	**47 018 673**	-	**(47 018 673)**	
Grants	285 482 000	972 360	**286 454 360**	-	**(286 454 360)**	
Interest income	21 235 400	(2 277 162)	**18 958 238**	-	**(18 958 238)**	
	356 819 500	**(4 388 229)**	**352 431 271**	**-**	**(352 431 271)**	
Payments						
Suppliers and employees	(4 641 661 223)	4 416 483 528	**(225 177 695)**	-	**225 177 695**	
Net cash flows from operating activities	**(4 284 841 723)**	**4 412 095 299**	**127 253 576**	**-**	**(127 253 576)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(105 071 200)	-	**(105 071 200)**	-	**105 071 200**	
Cash flows from financing activities						
Repayment of other financial liabilities	(194 977)	-	**(194 977)**	-	**194 977**	
Increase (decrease) in consumer deposits	(9 041)	4 001	**(5 040)**	-	**5 040**	
Net cash flows from financing activities	**(204 018)**	**4 001**	**(200 017)**	**-**	**200 017**	
Net increase/(decrease) in cash and cash equivalents	(4 390 116 941)	4 412 099 300	**21 982 359**	-	**(21 982 359)**	
Cash and cash equivalents at the beginning of the year	65 693 503	(9 024 233)	**56 669 270**	-	**(56 669 270)**	
Cash and cash equivalents at the end of the year	**(4 324 423 438)**	**4 403 075 067**	**78 651 629**	**-**	**(78 651 629)**	

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Long Service Awards

The long service awards liability arises from the municipality being part of a Collective Agreement and Conditions of Service Northern Cape Division of SALGBC. The long service award plan is a defined benefit plan accounted for in terms of GRAP.

Value Added Taxation

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with section 15(1) of the VAT Act No.89 of 1991. The annual financial statements have been prepared on an accrual basis of accounting. The municipality declares outputand claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.4 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life

1.4 Property, plant and equipment (continued)

Land	Straight-line	infinite years
Buildings	Straight-line	8-50 years
Leased Assets	Straight-line	3-5 years
Machinery and Equipment	Straight-line	5-12 years
Furniture and Office Equipment	Straight-line	2-7 years
Transport Assets	Straight-line	5-15 years
Computer Equipment	Straight-line	5-7 years
Infrastructure	Straight-line	10-80 years
Community	Straight-line	8-50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9)

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5 years

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;

1.7 Financial instruments (continued)

- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured

Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-Exchange Transactions (excluding Property Rates	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from Exchange Transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Financial Liabilities	Financial liability measured at amortised cost

1.7 Financial instruments (continued)

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial Recognition
The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

The entity measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost

All fianancial assets measure at amorised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification
The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

1.7 Financial instruments (continued)

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another partyand the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise the ability unilaterally an without needing to impose additional restrictions on the transfer.
- In this case, the entity:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

1.7 Financial instruments (continued)

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

1.8 Statutory receivables (continued)

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

1.8 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

1.10 Inventories

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item are expected to flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

1.10 Inventories (continued)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

Accounting Policies

1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash and cash equivalents includes cash on hand (including petty cash), short-term investments an cash in the bank account. Cash equivalents are short-term highly liquid investments, readily convertable into known amounts of cash that are held with a registered banking institutions, with maturity of three months or less, subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdtafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised costs.

Bank overdrafts are recorded based on the facility utilised. Finance costs on bank overdrafts are expenses as when they are incurred. Amounts owing in respect of bank overdrafts are recognised as financial liabilities carried at amortised cost.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

1.14 Impairment of non-cash-generating assets (continued)

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

1.15 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.15 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.17 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Unspent Conditional Grant

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.
A liability for unspent conditional grants is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this creditor:
Unspent conditional grants are recognised as a liability when the grant is received.
When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
The cash which backs up the creditor is invested as an individual investment or part of the operating account of the municipality until it is utilised.
Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Service Charges

Service Charges relating to electricity and water are based on consumption. Meters are read monthly and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rental of facilities and Equipment

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. It is earned from the renting of municipal facilities such as halls, sports, grounds, and lease of tenants, and is charged using the relevant approved tariffs.

Interest- Exchange Transactions

Interest is recognised in surplus or deficit, using the effective interest rate method. Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,and
The amount of the revenue can be measured reliably.
Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Other Income

Other income shall be accounted for when the cash, asset or service is received by the municipality. Other income included amongst others the following:
Sale of bid documents
Administration and Parking fees
Skills development refunds

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.20 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Government grants and Subsidies

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.27 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.31 Other accounting policy 1

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2022 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The municipality has not applied the new [name the standard or interpretation] issued, and effective for periods commencing . [Describe the new required treatment and the current treatment.] The estimated impact of the implementation of the new standard on the 2023 annual financial statements is as follows:

3. Inventories

Consumable stores	5 997 310	3 099 006

4. Receivables from exchange transactions

Consumer debtors - Electricity	6 883 201	2 706 298
Consumer debtors - Water	43 973 094	(743 181)
Consumer debtors - Sewerage	10 425 758	9 175 610
Consumer debtors - Refuse	2 901 446	(1 238 079)
Housing Rental	240 597	196 767
Sundry Debtors	11 452 584	11 451 298
	75 876 680	**21 548 713**

Statutory receivables general information

5. Receivables from non-exchange transactions

Consumer debtors - Rates	81 664 002	44 234 561

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property Rates	59 269 014	44 234 561
Financial asset receivables included in receivables from non-exchange transactions above	**22 394 988**	**-**
Total receivables from non-exchange transactions	81 664 002	44 234 561

6. VAT receivable

VAT	39 834 418	42 810 523

7. Prepayments

Prepayments	3 501 907	1 115 108

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2023	2022

8. Cash and cash equivalents (continued)

Bank balances	14 409 941	16 345 106
Short-term deposits	20 546 039	40 471 176
	34 955 980	**56 816 282**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Standard BANK - Primary Account - 302854185	14 408 112	16 313 348	18 950 624	14 408 112	16 313 348	18 950 624
ABSA BANK - Primary Account - 4054385292	1 815	32 926	44 054	1 815	32 926	44 054
ABSA BANK - Fixed Deposit - 2078093801	-	-	372 326	-	-	372 326
ABSA BANK - Fixed Deposit - 2078344125	-	-	164 120	-	-	164 120
ABSA BANK - Depositor Plus - 9297200038	-	-	2 495	-	-	2 495
ABSA BANK - Fixed Deposit - 2079734210	-	-	24 995 600	-	-	24 995 600
NEDBANK - Call Deposit - 7881112840/000005	436 906	410 605	1 797	436 906	410 605	1 797
Standard BANK - Call Account - 548529973002	-	-	5 850	-	-	5 850
Standard BANK - Money Market Call Account - 548529973003	-	-	291	-	-	291
Standard BANK - Fixed Deposit - 5088662043-018	468 820	449 968	309 332	468 820	449 968	309 332
Standard Bank - Fixed Deposit: 5088662043-019	-	-	127 179	-	-	127 179
ABSA-Fixed Deposits:93-5308-1205	4 186 608	1 752 516	380 730	4 186 608	1 752 516	380 730
ABSA - Invest Tracker : 93-5904-5392	1 998 291	1 717 544	753 852	1 998 291	1 717 544	753 852
Nedbank - Fixed Deposit: 7881112840-000018	-	20 249 319	-	-	20 249 319	-
Standard Bank - 48 Hours Notice Deposit: 048473162-002	6 007 842	5 613 762	-	6 007 842	5 613 762	-
ABSA - Fixed Deposit: 20-8032-3717	-	10 130 442	-	-	10 130 442	-
ABSA - Fixed Deposit: 20-8053-5025	7 447 577	-	-	7 447 577	-	-
Total	**34 955 971**	**56 670 430**	**46 108 250**	**34 955 971**	**56 670 430**	**46 108 250**

9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	5 101 702	-	5 101 702	5 101 702	-	5 101 702
Buildings	53 626 915	(32 211 428)	21 415 487	53 626 915	(31 499 083)	22 127 832
Furniture and fixtures	949 504	(147 958)	801 546	949 504	(147 958)	801 546
Motor vehicles	46 092 849	(23 491 478)	22 601 371	43 302 825	(22 876 502)	20 426 323
IT equipment	2 250 626	(430 935)	1 819 691	2 158 586	(41 847)	2 116 739
Infrastructure	2 979 033 933	(1 866 441 414)	1 112 592 519	2 970 832 275	(1 779 215 391)	1 191 616 884
Community	84 358 038	(49 846 140)	34 511 898	84 358 038	(48 174 794)	36 183 244
Machinery and Equipment	327 427	(710 029)	(382 602)	278 465	(1 708)	276 757
Other leased Assets # 2	197 205 844	-	197 205 844	93 619 654	-	93 619 654
Total	**3 368 946 838**	**(1 973 279 382)**	**1 395 667 456**	**3 254 227 964**	**(1 881 957 283)**	**1 372 270 681**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Difference	Additions	Disposals	Depreciation	Total
Land	5 101 702	**-**	-	-	-	5 101 702
Buildings	22 127 832	**281 970**	-	-	(994 315)	21 415 487
Furniture and Office Equipment	801 546	**-**	-	-	-	801 546
Transport Assets	20 426 323	**(12 825 746)**	15 615 770	-	(614 976)	22 601 371
Computer Equipment	2 116 739	**(1)**	92 041	-	(389 088)	1 819 691
Infrastructure	1 191 616 884	**(1)**	9 506 006	-	(88 530 370)	1 112 592 519
Community	36 183 244	**1**	-	-	(1 671 347)	34 511 898
Machinery and Equipment	276 757	**-**	48 962	(708 321)	-	(382 602)
Work in progress	93 619 654	**(1)**	103 586 191	-	-	197 205 844
Undefined Difference	-	**-**	-	-	**708 320**	-
	1 372 270 681	**(12 543 778)**	**128 848 970**	**(708 321)**	**(92 200 096)**	**1 395 667 456**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Difference	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5 101 702	-	-	-	-	-	-	5 101 702
Buildings	23 349 308	-	-	-	-	(1 207 559)	(13 917)	22 127 832
Furniture and office Equipment	1 085 529	-	656 279	(656 550)	-	(283 712)	-	801 546
Transport Assets	11 702 257	-	15 078 596	(1 301 529)	-	(5 053 001)	-	20 426 323
Computer Equipment	546 780	-	782 801	978 682	-	(191 524)	-	2 116 739
Infrastructure	1 151 738 590	**213 718**	164 190 004	3 494 653	-	(108 354 856)	(19 665 225)	1 191 616 884
Community	38 380 212	**820**	-	(77 935)	-	(2 036 856)	(82 997)	36 183 244
Machinery and Equipment	98 393	-	278 465	(64 872)	-	(35 229)	-	276 757
Work in progress	102 704 696	-	167 105 471	-	(176 190 513)	-	-	93 619 654
Undefined Difference	-	-	-	-	-	**3 889 692**	-	-
	1 334 707 467	**214 538**	**348 091 616**	**2 372 449**	**(176 190 513)**	**(117 162 737)**	**(19 762 139)**	**1 372 270 681**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	101 710 791	993 905	102 704 696
Additions/capital expenditure	162 307 168	4 798 303	167 105 471
Transferred to completed items	(176 190 513)	-	(176 190 513)
	87 827 446	**5 792 208**	**93 619 654**

9. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by nature and type of expenditure - 2023

	Direct Costs General expenses
Buildings	2 995 664
Office equipment	158 675
Other property, plant and equipment	7 931 939
	11 086 278

Maintenance of property, plant and equipment by nature and type of expenditure - 2022

	Direct Costs General expenses
Buildings	5 398 276
Office equipment	184 929
Other property, plant and equipment	2 474 217
	8 057 422

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6 015 902	(4 946 367)	1 069 535	3 359 152	(2 269 630)	1 089 522

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 089 522	171 050	(191 037)	1 069 535

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	948 972	938 263	(52 662)	(745 051)	1 089 522

11. Other financial liabilities

At amortised cost		
Development Bank of South Africa - Short Term	129 193	129 193
Terms and conditions		
Development Bank of South Africa - Long Term Portion	644 720	644 720
Terms and conditions		
	773 913	**773 913**
Total other financial liabilities	**773 913**	**773 913**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Other financial liabilities (continued)

Non-current liabilities		
At amortised cost	644 720	644 720
Current liabilities		
At amortised cost	129 193	129 193

12. Payables from exchange transactions

Trade payables	30 963 979	32 749 544
Debtors with credit balances	8 118 610	8 688 534
Payables to National Treasury	-	335 040
Leave Accrued	6 589 758	6 589 758
Other creditors	(7 213 117)	(1 828 260)
Retentions	13 004 578	11 862 304
13th Cheque	2 970 404	3 012 735
Unallocated Deposits	310 393	320 437
	54 744 605	**61 730 092**

13. Consumer deposits

Housing Rental and Water	36 500	25 378

14. Employee benefit obligations

Defined benefit plan

The employee benefit obligation relate to long service bonus awards.

Long service bonus awards

The municipality has an obligation to provide long service bonus awards to all its permanent employees. In terms of the municipality's policies and practice, long service bonus awards are offered for every 5 years of completed service from 10 years to 45 years.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out as at 30 June 2023 by Mr C Weiss. Fellow of the Actuarial Society of South Africa.

The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(4 250 000)	(3 345 000)
Non-current liabilities	(3 558 000)	(3 023 000)
Current liabilities	(692 000)	(322 000)
	(4 250 000)	**(3 345 000)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	384 000	253 082
Interest cost	352 000	194 357
Actuarial (gains) losses	491 000	632 184
Settlement	(322 000)	(227 074)
	905 000	**852 549**

Long service bonus awards carrying value

	2023	2022
Opening balance	3 345 000	2 492 451
Current service costs	384 000	253 082
Actuarial gains (losses)	491 000	632 184
Interest costs	352 000	194 357
Expected benefits vesting	(322 000)	(227 074)
	4 250 000	**3 345 000**

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
Discount rates used	11,32 %	11,03 %
General earnings inflation rate (long-term)	6,57 %	7,33 %
Net effective discount rate	4,45 %	3,45 %

A discount rate of 11,32% per annum has been used. The corresponding liability-weighted index- linked yield is 4,97%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2023. These yields were obtained by calculating the duration of the total liability and then taking the fixed - interest and index - linked yields from the respective yield curves at the at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability). The duration of the total liability was estimated to be 8.75 years.

Earnings Inflation Rate
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.
The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate
This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.
The CPI inflation assumption of 5.57% was obtained from the differential between market yields on index-linked bonds (4.97%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.32%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+11.32%-0.50%)/(1+4.97%))-1.
Thus, a general earnings inflation rate of 6.57% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.45%.
It was assumed that the next general earnings increase will take place on 1 July 2024

14. Employee benefit obligations (continued)

Other assumptions

The liability at the Valuation Date was recalculated to show the effect of:
(i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
(ii) a one percentage point increase and decrease in the discount rate;
(iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
(iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	% Change
Central assumptions	- %	4 250 000	- %
General earnings inflation rate	1 %	4 482 000	5 %
	(1)%	4 038 000	(5)%
Discount rate	1 %	4 035 000	(5)%
	(1)%	4 489 000	6 %
	- %	**21 294 000**	**1 %**

Assumption	Change	Liability	% Change
Average retirement age	+2 yrs	4 498 000	6 %
	-2 yrs	3 919 000	(8)%
Withdrawals rates	x2	3 443 000	(19)%
	x0,5	4 789 000	13 %
		16 649 000	**(8)%**

Sensitivity Analysis on Current - Service and Interest Costs for year ending 30/06/2023

Assumption	Change	Current Service Cost	Interest Cost	Total	%Change
Central assumptions	- %	384 000	352 000	736 000	- %
General earnings inflation rate	1 %	411 000	374 000	785 000	7 %
	(1)%	360 000	331 000	691 000	(6)%
Discount rate	1 %	362 000	361 000	723 000	(2)%
	(1)%	409 000	341 000	750 000	2 %
	- %	**1 926 000**	**1 759 000**	**3 685 000**	**1 %**

Heading	Change	Current Service Cost	Interest cost	Total	%Change
Average retirement age	+2yrs	403 000	371 000	774 000	5 %
	-2yrs	359 000	328 000	687 000	(7)%
Withdrawals rates	x2	287 000	274 000	561 000	(24)%
	x0.5	453 000	404 000	857 000	16 %
		1 502 000	**1 377 000**	**2 879 000**	**(10)%**

Sensitivity Analysis on Current - Service and Interest Costs for year ending 30/06/2024

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions	- %	449 000	443 000	892 000	- %
General earnings inflation rate	1 %	482 000	469 000	951 000	7 %
	(1)%	419 000	419 000	838 000	(6)%
Discount rate	1 %	423 000	456 000	879 000	(1)%
l	(1)%	479 000	428 000	907 000	2 %
	- %	**2 252 000**	**2 215 000**	**4 467 000**	**2 %**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefit obligations (continued)

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Average retirement age	+2yrs	473 000	471 000	944 000	6 %
	-2yrs	414 000	405 000	819 000	(8)%
Withdrawal rates	x2	332 000	351 000	683 000	(23)%
	x0,5	534 000	504 000	1 038 000	16 %
		1 753 000	**1 731 000**	**3 484 000**	**(9)%**

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant (FMG)	-	18 696
Municipal Infrastructure Grant (MIG)	-	969 395
Library Grant	1 138 091	803 051
Extended Public Works Programme	-	169 742
LGSETA	111 118	111 118
	1 249 209	**2 072 002**

Movement during the year

Balance at the beginning of the year	2 407 042	2 360 614
Additions during the year	130 998 525	152 224 118
Income recognition during the year	(132 156 358)	(152 512 730)
	1 249 209	**2 072 002**

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Interest charge	Change in estimate	Total
Environmental rehabilitation	7 826 451	830 269	(443 264)	8 213 456

Reconciliation of provisions - 2022

	Opening Balance	Additions	Interest Charge	Change in estimate	Total
Environmental rehabilitation	2 397 233	5 232 983	241 266	(45 031)	7 826 451

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Joe Morolong.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

This assessment was performed using the General Landfill Closure Costing Model (GLCCM) that was developed by Mr Seakle Godschalk Pr Sci Nat, GIMFO and Dr Maryna Möhr, both partners in Environmental & Sustainability Solutions (ESS). ESS is a boutique consultancy focusing on all aspects of environmental and sustainability accounting.

Financial assumptions used
2.1Unit costs
Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.
2.2 CPI
The CPI2 is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 6.1716%.
2.3 Discount Rate
GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used
.

Key financial assumptions used	For Van Zylsrus and Glenred landfills
CPI	6,1716 %
Discount Rate	11,4216 %

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Provisions (continued)

Net effective discount rate		5,2500 %
		22,8432 %

17. Revenue

Service charges	49 084 520	24 418 252
Rental of facilities and equipment	80 669	109 325
Interest received (trading)	8 253 598	6 947 548
Other income - (rollup)	326 595	743 148
Interest received - investment	7 594 650	4 161 674
Property rates	34 023 621	31 810 126
Interest, Dividends and Rent on Land	6 793 531	3 422 918
Government grants & subsidies	301 402 358	308 114 690
Public contributions and donations	1 514 524	35 848 785
Fines, Penalties and Forfeits	-	95
	409 074 066	**415 576 561**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	49 084 520	24 418 252
Rental of facilities and equipment	80 669	109 325
Interest on Arrear Accounts	8 253 598	6 947 548
Other income	326 595	743 148
Interest received - investment	7 594 650	4 161 674
	65 340 032	**36 379 947**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	34 023 621	31 810 126
Interest, Dividends and Rent on Land	6 793 531	3 422 918
Transfer revenue		
Government grants & subsidies	301 402 358	308 114 690
Public contributions and donations	1 514 524	35 848 785
Fines, Penalties and Forfeits	-	95
	343 734 034	**379 196 614**

18. Service charges

Sale of Electricity - Conventional	4 114 993	7 059 883
Sale of Electricity - Prepaid	2 883 893	3 302 376
Sale of Water - Conventional	36 052 213	7 922 773
Sale of Water - Prepaid	1 523 157	1 832 821
Sewerage and sanitation charges	1 340 172	1 261 239
Refuse removal	3 170 092	3 039 160
	49 084 520	**24 418 252**

19. Rental of facilities and equipment

Premises		
Premises	80 669	109 325

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

20. Interest on arrear accounts

Interest - Non - Exchange Transactions	6 793 531	3 422 918
Interest - Exchange Transactions	8 253 598	6 947 548
	15 047 129	**10 370 466**

21. Other income

Photo Copies	1 795	2 531
Admin Fees	4 105	10 503
Tender documents	80 270	185 670
Building Plans	46 521	21 704
Cemetery Fees	244	244
Insurance claims fees	24 843	13 554
Parking Fees	25 860	29 280
Skills Development Levy Refund	121 834	476 280
Application fees for land usage	21 123	3 382
	326 595	**743 148**

22. Investment revenue

Interest revenue		
Investments	4 927 988	3 836 230
Bank	2 666 662	325 444
	7 594 650	**4 161 674**

23. Property rates

Rates received

Residential	1 295 098	932 327
Commercial	1 403 785	1 136 305
State	3 039 670	2 241 316
Municipal	75	1 847 138
Small holdings and farms	21 403 039	19 092 223
Mining	6 881 954	6 560 817
	34 023 621	**31 810 126**

24. Government grants & subsidies

Operating grants		
Equitable share	170 403 833	155 939 947
Financial Management Grant	3 100 000	3 081 304
Library Grant	1 800 000	1 003 826
Integrated National Electrification Programme Grant	-	1 500 000
Expanded Public Works Programme	1 139 525	956 258
	176 443 358	**162 481 335**
Capital grants		
Municipal Infrastructure Grant	84 959 000	86 433 355
Water Service Infrastructure	40 000 000	59 200 000
	124 959 000	**145 633 355**
	301 402 358	**308 114 690**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Public contributions and donations

Mining Subsidies	1 514 524	-
Constructions of roads	-	35 848 785
	1 514 524	**35 848 785**

Conditions still to be met - remain liabilities (see note 15)

Provide explanations of conditions still to be met and other relevant information

26. Fines, Penalties and Forfeits

Overdue Books Fines	-	95

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Employee related costs

Basic	48 781 217	36 410 322
Bonus	3 272 105	3 003 926
Medical aid	5 109 798	4 437 813
UIF	408 434	349 857
SDL	722 056	574 160
Other payroll levies	11 857	11 541
Leave pay	369 854	669 161
Scarcity Allowance	104 033	208 065
Standby Allowance	830 753	711 339
Pension Fund	8 328 489	6 486 438
Travel allowances	1 906 312	1 321 766
Overtime payments	4 690 201	3 619 424
Long-service awards	151 452	90 460
Acting allowances	527 452	2 173 836
Transport allowances	5 286 380	2 831 175
Housing benefits and allowances	1 548 877	1 825 442
Cellphone Allowance	744 400	485 150
Industrial Council	26 374	21 105
Non - Pensionable Allowance	153 413	792 343
Current Service Cost	384 000	253 082
	83 357 457	**66 276 405**

Remuneration of municipal manager

Annual Remuneration	564 952	771 534
UIF	1 594	2 125
Rural Allowance	-	83 626
Cellular and Telephone	31 500	42 000
Non Pensionable Allowance	33 490	40 932
Travel Allowance	33 305	426 978
Housing Allowance	78 642	104 856
Bargaining Council	97	124
Scarcity Allowance	62 720	-
Transport Allowance	306 000	-
	1 112 300	**1 472 175**

Accounting Officer certification of Councillors remuneration
The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constituition read with the Remuneration of Public Office Bearer's Act

Remuneration of chief finance officer

Annual Remuneration	616 011	588 327
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Bargaining Council	130	124
Cellular and Telephone	42 000	14 400
Housing Benefits	180 000	180 000
Travel Allowance	228 000	228 000
Travel and Incidental	66 905	75 296
Non Pensionable Allowance	68 340	44 000
Scarcity Allowance	104 033	104 033
Acting and Post Related Allowances	-	4 266
	1 307 544	**1 240 571**

Remuneration of Community Service Director

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Employee related costs (continued)

Annual Remuneration	615 228	615 925
UIF	2 125	2 125
Rural Allowance	95 091	95 091
Cellular and Telephone	42 000	14 400
Non Pensionable Allowance	103 812	68 900
Travel Allowance	102 566	21 834
Housing Allowance	84 000	84 000
Bargaining Allowance	130	124
Transport Allowance	198 002	198 002
Undefined Difference	**(1 632)**	**-**
	1 241 322	**1 100 401**

Corporate and human resources (corporate services)

Annual Remuneration	551 707	539 626
UIF	2 125	2 125
Rural Allowance	104 033	104 033
Cellular and Telephone	42 000	14 400
Non Pensionable Allowance	137 872	117 844
Travel Allowance	90 426	-
Housing Allowance	202 772	202 772
Bargaining Council Allowance	130	124
Transport	200 000	200 000
Acting Allowance	66 888	4 266
	1 397 953	**1 185 190**

Finance and economics development

Acting Allowance	41 434	4 266
Undefined Difference	**252 401**	**-**
	293 835	**4 266**

Mrs Mulaudzi and Miss Mecwi acted as planning and development director for the 2022-2023 financial year.

Figures in Rand	2023	2022

28. Remuneration of councillors

	2023	2022
Executive Mayor	920 157	827 007
Speaker	776 291	709 882
Chief Whip	599 397	-
Executive Committee	3 170 658	25 429
Councillors	7 588 447	7 712 683
Section 79 Committee Chairperson	580 785	2 680 259
	13 635 735	**11 955 260**

Mayor		
Basic Salary	627 383	518 462
Cellphone Allowance	44 400	44 400
Office Bearer Allowance	201 521	188 286
Pension Fund Contributions	45 341	52 343
Travelling Allowance	1 511	23 516
	920 156	**827 007**

Speaker		
Basic Salary	496 642	416 395
Cellphone Allowance	44 400	44 400
Pension Fund Contributions	36 273	41 764
Medical Aid Benefits	22 503	20 736
Travelling Allowance	176 473	186 587
	776 291	**709 882**

Chief Whip		
Basic Salary	290 951	-
Cellphone Allowance	44 400	-
Pension Fund Contributions	22 394	-
Medical Aid Benefits	28 408	-
Travelling Allowance	213 244	-
	599 397	**-**

Executive Committee		
Basic Salary	1 766 415	-
Cellphone Allowance	177 600	-
Office Bearer Allowance	305 153	25 429
Pension Fund Contributions	137 319	-
Medical Aid Benefits	124 992	-
Travelling Allowance	659 179	-
	3 170 658	**25 429**

Councillors		
Basic Salary	3 902 604	3 985 878
Cellphone Allowance	932 400	1 024 417
Office Bearer Allowance	1 275 456	863 268
Pension Fund Contributions	301 392	379 070
Medical Aid Benefits	334 698	211 414
Motor Vehicle Allowance	-	612 636
Travelling Allowance	841 897	636 000
	7 588 447	**7 712 683**

Section 79 Committee Chair Person		
Basic Salary	241 695	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Remuneration of councillors (continued)

Cellphone Allowance	44 400	-
Pension Fund Contributions	18 414	-
Medical Aid Benefits	25 782	-
Travelling Allowance	250 493	-
	580 784	**-**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

29. Depreciation and amortisation

Property, plant and equipment	92 908 416	121 052 429
Intangible assets	191 037	745 051
	93 099 453	**121 797 480**

30. Impairment loss

Impairments		
Property, plant and equipment	-	8 694 381

31. Interests costs

Employee benefit interest cost	352 000	194 357
Borrowings	66 248	76 434
Other interest paid	693 994	236 768
	1 112 242	**507 559**

32. Debt impairment

Debt impairment	-	(4 272 004)

33. Bulk purchases

Electricity - Eskom	9 971 630	9 299 158
Water	6 332 232	6 796 212
	16 303 862	**16 095 370**

Electricity losses

Water losses

34. Transfer and subsidies

Dry Sanitation VIP	-	11 992 916
Indigent subsidies	4 628 135	4 797 433
Other Subsidies	442 740	-
	5 070 875	**16 790 349**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. General expenses

Advertising	543 024	538 877
Auditors remuneration	8 114 917	7 639 118
Bank charges	417 040	226 756
Commission paid	3 320 036	(722 617)
Computer expenses	1 279 695	1 202 522
Consulting and professional fees	25 845 934	24 732 838
Consumables	4 343 688	3 956 974
Entertainment	1 051 741	797 660
Hire	435 514	77 970
Insurance	3 806 339	2 424 417
Conferences and seminars	1 481 158	894 545
Motor vehicle expenses	594 363	1 575 514
Fuel and oil	10 942 434	6 566 739
Postage and courier	13 424	7 230
Printing and stationery	149 588	369 525
Repairs and maintenance	11 086 277	8 057 422
Security (Guarding of municipal property)	3 000 000	3 000 000
Staff welfare	247 016	20 613
Subscriptions and membership fees	891 231	1 091 984
Telephone and fax	977 246	1 130 243
Accomodation and travel	2 336 440	2 029 939
Office Service Charges	5 465 127	4 224 267
Protective Clothing	21 295	30 413
Environmental Rehabilitation	5 619 988	5 429 218
Learnerships and Internships	305 859	470 280
Satellite Signals	4 645	9 637
Ward Committee Expenses	1 910 480	1 412 088
Bursaries	100 480	99 111
Fines and Penalties	3 697	-
Resettlement Cost	264 776	-
	94 573 452	**77 293 283**

36. Consumer debtors disclosure

Gross balances		
Rates	256 421 255	218 991 814
Electricity	16 940 714	12 763 811
Water	113 498 638	68 782 363
Sewerage	16 616 170	15 366 022
Refuse	16 701 980	12 562 455
Housing Rental	240 597	196 767
Sundry Debtors	62 387 423	62 386 137
	482 806 777	**391 049 369**

Less: Allowance for impairment		
Rates	(174 757 253)	(174 757 253)
Electricity	(10 057 513)	(10 057 513)
Water	(69 525 544)	(69 525 544)
Sewerage	(6 190 412)	(6 190 412)
Refuse	(13 800 534)	(13 800 534)
Sundry Debtors	(50 934 839)	(50 934 839)
	(325 266 095)	**(325 266 095)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

36. Consumer debtors disclosure (continued)

Net balance		
Rates	81 664 002	44 234 561
Electricity	6 883 201	2 706 298
Water	43 973 094	(743 181)
Sewerage	10 425 758	9 175 610
Refuse	2 901 446	(1 238 079)
Housing Rental	240 597	196 767
Sundry Debtors	11 452 584	11 451 298
	157 540 682	**65 783 274**

Figures in Rand	2023	2022

36. Consumer debtors disclosure (continued)

Electricity		
Current (0-30 days)	1 329 532	536 962
31 - 60 days	158 653	159 110
61 - 90 days	280 555	183 452
91 - 120 days	587 164	255 221
>121 days	14 584 812	11 629 067
	16 940 716	**12 763 812**

Water		
Current (0-30 days)	21 649 344	1 748 995
31 - 60 days	1 632 279	1 806 531
61 - 90 days	1 925 477	1 745 886
91 - 120 days	1 816 172	1 965 369
>121 days	86 481 465	61 517 169
	113 504 737	**68 783 950**

Sewerage		
Current (0-30 days)	454 494	129 970
31 - 60 days	148 962	126 680
61 - 90 days	147 980	263 113
91 - 120 days	146 931	119 506
>121 days	15 608 915	14 726 753
	16 507 282	**15 366 022**

Refuse		
Current (0-30 days)	1 152 523	375 787
31 - 60 days	394 407	347 234
61 - 90 days	391 935	493 722
91 - 120 days	389 460	334 538
>121 days	14 373 655	11 011 173
	16 701 980	**12 562 454**

Housing Rental		
Current (0-30 days)	13 456	52 303
31 - 60 days	4 485	3 455
61 - 90 days	4 485	3 455
91 - 120 days	4 485	3 455
>121 days	213 686	134 099
	240 597	**196 767**

Sundry Debtors		
Current (0-30 days)	1 448	387
31 - 60 days	207	-
61 - 90 days	1	-
91 - 120 days	207	-
>121 days	62 488 977	62 379 628
	62 490 840	**62 380 015**

Property Rates

Figures in Rand	2023	2022

36. Consumer debtors disclosure (continued)

Current (0-30 days)	12 157 605	87 541 638
31 - 60 days	3 845 934	3 084 634
61 - 90 days	3 816 249	3 099 548
91 - 120 days	3 807 893	3 026 729
>121 days	232 770 730	122 216 423
	256 398 411	**218 968 972**

37. Auditors' remuneration

Fees	8 114 917	7 639 118

38. Cash generated from operations

Surplus	96 279 284	84 970 689
Adjustments for:		
Depreciation and amortisation	93 099 453	121 797 480
Gain on sale of assets and liabilities	-	10 060 076
Impairment deficit	-	8 694 381
Debt impairment	-	(4 272 004)
Movements in retirement benefit assets and liabilities	905 000	3 345 000
Movements in provisions	387 005	7 826 451
Changes in working capital:		
Inventories	(2 898 304)	(3 099 006)
Receivables from exchange transactions	(54 327 967)	(21 548 713)
Consumer debtors	-	4 272 004
Other receivables from non-exchange transactions	(37 429 441)	(44 234 561)
Prepayments	(2 386 799)	(1 115 108)
Payables from exchange transactions	(6 985 485)	61 730 090
VAT	2 976 105	(42 810 523)
Unspent conditional grants and receipts	(822 793)	2 072 002
Consumer deposits	11 122	25 378
	88 807 180	**187 713 636**

39. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Contractual amounts	119 752	-

Loss on sale of property, plant and equipment	-	(10 007 413)
Loss on sale of intangible assets	-	(52 663)
Impairment on property, plant and equipment	-	8 694 381
Amortisation on intangible assets	191 037	745 051
Depreciation on property, plant and equipment	92 908 416	121 052 429
Employee costs	102 346 146	83 234 268

40. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

Figures in Rand	2023	2022

40. Financial instruments disclosure (continued)

Financial liabilities

2022

Financial assets

Financial liabilities

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	6 719 725	27 937 067
Total capital commitments		
Already contracted for but not provided for	6 719 725	27 937 067

Authorised operational expenditure

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42. Contingencies

Contingent Liabilities	2023	2022
1) Obakeng Donald Gabotsileli obo T. G. Thipe / Joe morolong municipality :The Municipality and ESKOM is suit for damages arising from injuries sustained the electrical poles and electrical wire which was utilized for the purpose of distributing and transmitting electrical current in our area of jurisdiction belonging to ESKOM.	279 669	100 000
2) Ho tla ba thata general trading contract (B121/2015) The Full Maintenance Lease Agreement (FMLA) which came to an end August 2018 however there are outstanding disputes relating to payments.	350 000	350 000
3) Joe morolong local municipality / Ditiro tsa ka trading 6 Poor performance breach by the contractor which led to termination of contract by the Municipality.	78 846 541	240 000
4) Ramzo Mining and Construction vs Joe Morolong Local Municipality A claim of R326 235.00 under Bid Number: B168/2018 which is known as the tender for " Bulk diesel supply, delivery and fuel management system". The supplier failed to perform in terms of the concerned Purchase Order issued by the Municipality.	-	326 235
5) Sealampes Business Enterprise CC vs Joe Morolong Municipality Poor performance breach by the contractor which led to termination of contract by the Municipality. The municipality received a notice of intended legal action for unfair dismissal, which demanded that an amount of R3 436 674.42 plus CPI escalation be paid to Sealampes Business Enterprise CC. This matter is still ongoing;	-	3 436 674
6) Peyper Attorneys v Joe Morolong Local Municipality: Applicant filed an application for review bid for appointment of panel of attorneys to include them on the panel.	154 198	150 000
7) O C Ntlhaile vs Joe Morolong Local Municipality Employee lodged a case at the local Government Bargaining Council relating to his salary placement. The case is finalised, the employee lodged his case outside prescribed time and did not apply for condonation. The estimated financial impact is R200 000.	-	200 000
8) Lotshepe Development Engineers CC vs Joe Morolong Local Municipality. The Plaintiff instituted a legal action against Joe Morolong Local Municipality to claim the damages.	100 000	-
	79 730 408	**4 802 909**

Contingent liabilities incurred relating to interests in other entities

43. Related parties

Members of key management	Refer to note 27
Councillors	Refer to note 28

Related party balances

There were no senior managers and Councillors who received any services from the municipality in the year under review. Refer to note 27 and 28 (excluding the transport claims and subsistence allowance received) for the remuneration of councillors and senior managers.

Key management information

All councillors and senior managers are required to declare their business interests annually. Such business interests are listed below:

Councillor Manakong L.P	Lite Projects (Pty) Ltd
Councillor Kolberg J.O	Manyeding Agricultural Cooperative, Mahube Agrow
Councillor Gaetsewe M.J	Rona Mmogo (Pty) Ltd
Councillor Kaotsane G.G	Asili Ya Mama (Pty) Ltd, Saba Logistics (Pty) Ltd, Seconded councillor to John Taolo Gaetsewe District Municipality
Councillor Tagane G.C	Puoko Construction
Councillor Maamogwa K.E	Nonong Trading and Projects
Councillor Mokweni O.N	Batlharo Agriculture (Pty) Ltd
B.D Motlhaping (Chief Financial Officer)	Lebotore (Pty) Ltd, Aggab Construction, Lebotore Petroleum
L.A Moinwe(Director - Technical Services)	EML Consulting & Trading, Glo Freight, Glo Fuels
M.C Melokwe (Director - Community Services)	Vinmaude Holdings, Sibo Resources

Those councillors and senior managers not listed above declared that they had no business interests.
No transactions were entered in to with these entities during the period.

Remuneration of management

Additional information

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitu

44. Prior period errors

Contingent liabilities - During the audit of contingent liabilities , differences were identified between the estimated contingent liability amount as per the AFS and attorney confirmations. Previosly disclosed (R2 615 599.00) Restated R350 000.

The correction of the error(s) results in adjustments as follows:

45. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

45. Prior-year adjustments (continued)

2022

	Note	As previously reported	Restated
Inventories	3	3 099 006	3 099 006
Receivables from exchange transactions	4	20 105 693	20 105 693
Receivables from non- exchange transactions	5	44 234 561	44 234 561
Cash and cash equivalents	8	56 670 430	56 670 430
VAT Receivable	6	42 810 371	42 810 371
Prepayments	7	1 262 124	1 262 124
Property Plant and Equipment	9	1 368 166 450	1 368 166 450
Intangible assets	10	1 089 523	1 089 523
Other financial liabilities (current liability)	11	(129 193)	(129 193)
Payables from exchange transactions	12	(61 693 278)	(61 693 278)
Consumer deposits	13	(25 378)	(25 378)
Employee benefit obligation	14	(322 000)	(322 000)
Unspent conditional grants and receipts	15	(2 072 002)	(2 072 002)
Other financial liabilities (non current liability)	11	(644 720)	(644 720)
Employee benefit obligation	14	(3 023 000)	(3 023 000)
Provisions	16	(2 593 468)	(2 593 468)
		1 466 935 119	**1 466 935 119**

Statement of financial performance

2022

	Note	As previously reported	Restated
Service charges	18	24 418 253	24 418 253
Rental of facilities and equipment	19	109 325	109 325
Interest Exchange transactions	20	6 947 548	6 947 548
Other income	21	743 148	743 148
Interest Received	22	4 161 674	4 161 674
Property rates	23	31 810 125	31 810 125
Interest - Non Exchange Transactions	20	3 422 918	3 422 918
Government grants and subsidies	24	308 114 690	308 114 690
Public contributions and donations	25	35 848 785	35 848 785
Fines, Penalties and forfeits	26	95	95
Employee related costs	27	(71 279 007)	(71 279 007)
Remuneration of councillors	28	(11 955 260)	(11 955 260)
Depreciation and amortisation	29	(121 797 481)	(121 797 481)
Reversal of impairments	30	(8 694 380)	(8 694 380)
Finance costs	31	(507 559)	(507 559)
Debt impairment	32	4 272 004	4 272 004
Bulk purchases	33	(16 095 370)	(16 095 370)
Transfers and Subsidies	34	(16 790 349)	(16 790 349)
Loss and disposal of assets		(10 060 076)	(10 060 076)
Actuarial losses		(405 110)	(405 110)
General Expenses	35	(72 022 475)	(72 022 475)
Surplus for the year		**90 241 498**	**90 241 498**

Cash flow statement

Change in accounting policy

No change in accounting policies occurred during the year under review.

46. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	129 193	644 720	-	-
Employee benefit obligation	322 000	3 023 000	-	-
Trade and other payables	61 693 278	-	-	-
Consumer deposit	25 378	-	-	-
Unspent conditional grants	2 072 002	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial instrument	2023	2022
Receivables from exchange transaction	75 876 680	21 548 713
Cash and cash equivalents	34 955 980	56 816 282

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

47. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

47. Going concern (continued)

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:

Joe Morolong Local Municipality is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The below are the amounts that the government has committed to allocate to Joe Morolong Local Municipality in line with the DORA to ensure that the municipality continues with its operations.

48. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

49. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	592 446 585	588 133 979
Add: Unauthorised expenditure - current	15 500 961	4 312 606
Closing balance	**607 947 546**	**592 446 585**

50. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	4 936 167	4 678 008
Add: Fruitless and wasteful expenditure identified - current	635 970	258 159
Closing balance	**5 572 137**	**4 936 167**

51. Irregular expenditure

	2023	2022
Opening balance as previously reported	303 294 130	210 010 299
Correction of prior period error	-	79 914 039
Add: Irregular expenditure - current	11 645 822	13 369 792
Closing balance	**314 939 952**	**303 294 130**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2023	2022
Current year subscription / fee	1 944 471	1 154 545
Amount paid - current year	(857 328)	(1 154 545)
	1 087 143	**-**

Audit fees

	2023	2022
Current year subscription / fee	8 114 917	7 639 118
Amount paid - current year	(8 114 917)	(7 639 118)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	983 297	-
Current year subscription / fee	7 041 900	354 982
Amount paid - current year	-	(354 982)
	8 025 197	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	9 816 462	11 001 848
Amount paid - current year	(9 816 462)	(11 001 848)
	-	**-**

VAT

VAT receivable	39 834 418	42 810 523

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the financial yearyear.

53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette and section 36 of the Supply Chain Management regulations state that a supply management policy may allow the accounting officer -
To dispense with the official procurement process established by the policy and to procure any required goods or services through any convenient process which may include direct negotiations, but only in an emergency;if such goods or services are produced or available from a single provider only; for acquisitions of animals for zoos or in any exceptional case where it is impractical or impossible to follow the official procurement process.
The Accounting Officer my dispense with the official procurement process in the above circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

The following tables shows the amounts of deviation and reasons for deviation

Reason for deviation		
Impractical or impossible to follow procurement process	15 374 076	-
Special works of art	42 527	-
	15 416 603	**-**

54. Segment information

General information

Identification of segments

The Municipality does not have reportable segment information.

55. Lease rentals on operating lease

Equipment		
Contractual amounts	119 752	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022